

**Testimony of Brian Tracey, Senior Vice President, Bank of America**  
before the  
**House Government Reform Subcommittee on Federalism and the Census**

**“Public Housing in the Competitive Market Place:  
Do Affordable and Public Housing Developments Benefit from Private Market and Other  
Financing Tools?”**

**May 23, 2006**

Good morning. I'm Brian Tracey. On behalf of the 200,000 associates working at Bank of America, thank you for the opportunity to share our thoughts on private capital in support of public housing.

As a national leader in community development, Bank of America works to help build stronger and healthier neighborhoods throughout the country.

Bank of America associates are developing real estate, providing financing and making equity investments, using a variety of financial tools and programs in working with individuals, government agencies, nonprofit organizations and businesses. A significant part of this work involves partnerships with local public housing agencies.

In support of public housing, Bank of America is a lender, an investor, and a real estate developer, working with housing authorities in more than thirty states.

During the last ten years, Bank of America has provided more than \$500 million in private debt and equity capital for over forty PHA mixed-finance transactions. Our company has also been a leader in structuring capital fund financing program bonds, which allow PHA's to use lower-cost, tax-exempt debt to accelerate improvements to public housing properties. Bank of America, primarily through its affiliate, Banc of America Securities, has provided about one-third of all private capital supplied to the nation's PHAs using this technique. Working with HUD, we pioneered this structure five years ago with a \$33 million loan to the housing authority here in Washington.

The capital we have supplied to public housing has often served as an important leveraging resource for limited public funding – multiplying the benefit of public investment four to six fold. While these leveraged dollars benefit public housing, they also help nearby neighborhoods and the larger community. Clearly, public housing benefits from access to private capital.

Here's an example of how we have worked with one local agency to combine federal assisted housing support with a much wider range of public and private resources to serve low-income rural seniors:

Northwestern Regional Housing Authority is a rural housing authority serving a seven-county area from its head office in Boone, North Carolina. This smaller agency has successfully completed several housing projects, acting as the sole developer, and using a variety of funding sources, including the low-income housing tax credit.

For example, two years ago, Northwestern completed development of 40 rental apartments for very low-income seniors in Elk Park, North Carolina. This transaction involved the acquisition

Approvals are too often very long in coming – upwards of a year in some cases – even in cases where HUD has approved transactions using substantially identical documentation.

While some transactions and some PHAs benefit from this type of extraordinary close scrutiny, many do not. There are no exceptions for “high performing” PHAs.

In addition to the obvious costs of delay, the currently prevailing approval environment discourages all but the most patient private sector players from seeking opportunities to engage with public housing.

To correct this problem, HUD, working with experienced stakeholders, should implement a series of clear, reasonable “safe harbor” standards for mixed finance, for capital and operating grant finance transactions.

The “safe harbor” approach suggested here will nurture a more entrepreneurial climate for public housing where they can predictably, and more efficiently, access the full range of financing tools typically used by private affordable housing developers.

HUD also needs to provide adequate staffing to expedite the review and approval process. HUD should consider using staff from other HUD program areas to support this effort. The Congress should support such staffing commitments.

- This Subcommittee should promote widespread simplification of existing public housing regulations.

Too much of public housing’s regulatory environment is complex, excessively proscriptive and expensive to administer.

The emphasis here should be on core program outcomes (income targeting, affordability, availability) while allowing for considerable local flexibility and innovation on how those outcomes are achieved.

- Congress, working with the administration and other stakeholders, should adopt legislation which would permit property based financing in public housing.

In our nation, substantially all multi-family residential real property finance is “property based.”

This means that the property receiving the investment is available as collateral security to creditors and that most or all property related debt is paid from property operating income. This system works quite well and attracts considerable private capital for all types of market rate properties and for many types of affordable properties.

Public housing remains the big exception to this rule.

The bi-partisan Millennial Housing Commission and the Congressionally mandated Harvard Public Housing Operating Cost Study both suggested that public housing needed to join the affordable housing finance mainstream by gaining the ability to effect property based financings.

Secondly, the broader community, as private capital is attracted to the neighborhoods surrounding public housing developments;

And finally, our government and taxpayers—by efficiently leveraging government dollars with private capital to accomplish more with the same amount of public funding.

Thank you, Mr. Chairman and members of the Subcommittee, for the opportunity to make these observations.